Saskatchewan Grain Car Corporation

March 13, 1985
Regina, Saskatchewan

To His Honour
the Honourable Frederick Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1984, including the financial statements therefore, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Sir,

Your obedient servant,

Lorne H. Hepworth
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

DIRECTORS

Honourable Lorne Hepworth, Weyburn

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Annual Report 1984

The full complement of 1,000 Saskatchewan Grain Car Corporation hopper cars was on line in the Canadian Wheat Board's Western Division during the 1983-84 crop year. Saskatchewan Grain Car Corporation had 477 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP lines was based on the total bushels handled by each carrier in the 5 year period from October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 crop years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1983-84 crop year.

The Corporation's office is in Melville, Saskatchewan. The office is operated by two staff members: Fleet Superintendent Don Shawaga, and secretary Sandra Konechny.

During 1983-84 the Western Grain Transportation Act was passed by the Government of Canada. This Act includes a new Schedule I which provides for additional grains to be moved at the statutory rate. Negotiations are presently underway with the other parties in the Corporation's Operating Agreement (i.e. Canadian National Railway Company, Canadian Pacific Limited, the Canadian Wheat Board) to include these Schedule I grains under the Agreement.

Subsequent to the Corporation's year end on July 31, 1984, the Corporation received notice from the Canadian Wheat Board that the Federal audit has been completed on the hopper car purchase pool. The final price for the Corporation's 1,000 cars was confirmed and the Corporation subsequently transferred the $4.98 million surplus in the Capital Account to the Heritage Fund as a lump sum loan payment.

During 1983-84 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1983-84 and the 1982-83 crop years.

Grain Transported	**1983-84** (tonnes)	**1982-83** (tonnes)
Wheat	925 020	947 220
Oats	13 400	13 550
Barley	261 350	276 010
Rye	35 440	15 000
Flax	21 580	18 000
Rapeseed	75 960	73 970
	1 332 750	1 343 750

The Saskatchewan Grain Car Corporation fleet contributed to movement of a record Canadian grain export volume in 1983-84. The Corporation's cars moved 1.33 million tonnes of grain. This tonnage was marginally lower than the previous year (-0.8%) due to the expanded size of the overall grain car fleet in 1983-84.

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The value of grain moved to market in the Corporation's cars during 1983-84 was approximately $250 million.

Origin of Grain Loads	1983-84 (%)	1982-83 (%)
Saskatchewan	49.5	49.8
Alberta	40.2	38.3
Manitoba	9.8	11.3
B.C.	.5	.6
	100.0	100.0

Destinations	1983-84 (Number of trips)	1982-83 (Number of trips)
Thunder Bay	8,419	9,114
Vancouver	7,788	7,418
Prince Rupert	823	813
Inland Mills and Feed Plants	361	377
	17,391	17,722

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average number of days for a car to load, unload and reload)

To Port:	1983-84 (Number of days)	1982-83 (Number of days)
Thunder Bay	20.1	18.5
Vancouver	24.4	23.8
Prince Rupert	28.4	27.1
Average — All Ports	22.5	21.2

The Corporation's average round trip car cycle increased to 22.5 days in 1983-84 from 21.2 days in the previous year. A contributing factor was that the Corporation's cars moved more grain to the ports of Vancouver and Prince Rupert in 1983-84 and less to Thunder Bay. Car cycles averaged 24-28 days to the Western ports and about 20 days to Thunder Bay.

Delays in Car Movements

Railway	1983-84 (Number of cars- % of Fleet)	1982-83 (Number of cars- % of Fleet)
CN	25 — 5.2	35 — 7.3
CP	69 — 13.2	61 — 11.7
Both	94 — 9.4	96 — 9.6

The chart on delayed cars on Page 4 is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is, 523 on CP and 477 on CN.

Damaged Cars

Railway	1983-84	1982-83	Total Since Built
CN	13	8	28
CP	6	15	26
	19	23	54

Damage to cars was caused by derailments, side swipes, loading and unloading accidents, etc. Two cars out of the 19 are possibly damaged beyond economical repair. This accident occurred on the CN lines on July 22, 1984. If the two cars are not repaired, the depreciated value of these two cars will be forwarded to the Corporation by CN and will be placed in a special Reserve Fund set aside to purchase replacement cars. The balance of the cars were repaired and are in active service except for two on CN and one on CP which will be repaired and in service early in the 1984-85 crop year.

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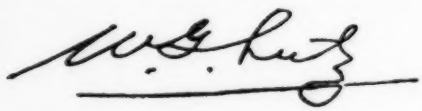
Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1984 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1984 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied, except for the change in the policy of recording depreciation as described in note 7 to the financial statements, on a basis consistent with that of the preceding year.



Regina, Saskatchewan
September 11, 1984.

W. G. Lutz, F.C.A.
Provincial Auditor

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1984

Operating Fund

ASSETS	1984	1983
Current Assets		
Cash	$ 117	$ 630
Short-term investments, at cost	37,100	58,000
Accounts receivable — accrued interest on short-term investments	197	94
Prepaid expenses	1,184	—
	$ 38,598	$ 58,724
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 1,254	$ 1,100
Surplus — Statement 2	37,344	57,624
	$ 38,598	$ 58,724

Capital Fund

ASSETS		
Current Assets		
Cash	$ 2,888	$ 9,289
Short-term investments, at cost	4,754,407	4,285,663
Accounts receivable — accrued interest on short-term investments	1,632	14,550
	4,758,927	4,309,502
Fixed Assets (Note 1(b) and 4)	54,214,423	54,214,423
Less accumulated depreciation (Note 7)	3,666,660	3,666,660
	50,547,763	50,547,763
	$ 55,306,690	$ 54,857,265
LIABILITIES AND EQUITY		
Long-term loan from the Heritage Fund (Note 3)	$ 51,333,340	$ 51,333,340
Surplus — Statement 2	3,973,350	3,523,925
	$ 55,306,690	$ 54,857,265

(See accompanying notes to the financial statements)

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Statement 2 — Statement of Revenue and Expenditure and Surplus

For the Year Ended July 31, 1984

	Capital Fund (Note 1)	Operating Fund (Note 1)	Total 1984	Total 1983
REVENUE				
Grant — Consolidated Fund — Department of Agriculture	$ —	$ 76,400	$ 76,400	$ 6,667,341
Hopper Car — Rental revenue	—	—	—	11,850
Interest on short-term investments	449,443	3,060	452,503	449,820
	449,443	79,460	528,903	7,129,011
EXPENDITURES				
Salaries	—	69,617	69,617	65,939
Board of Director Expenses	—	993	993	255
Administration Expenses	18	29,130	29,148	33,586
Debt Charges (Note 3) — interest	—	—	—	4,689,952
— principal	—	—	—	1,833,330
	18	99,740	99,758	6,623,062
Excess of revenue over expenditure (expenditure over revenue)	449,425	(20,280)	429,145	505,949
Surplus, beginning of year	3,523,925	57,624	3,581,549	3,075,600
Surplus, end of year	$ 3,973,350	$ 37,344	$ 4,010,694	$ 3,581,549

(See accompanying notes to the financial statements)

Notes to Financial Statements

July 31, 1984

1. **Major Accounting Policies**

   a) The accounts of the Corporation are maintained in three segments:

      i) Capital Fund

         1. The fixed assets (grain cars) of the Corporation are maintained in a Capital Fund, along with the related liability to the Heritage Fund.

         2. Since there is no significant revenue derived from the use of the grain cars, no charge for depreciation is recorded in the accounts.

         3. Interest earned on short-term investments, less related expenses, will be retained until final settlement has been agreed on the purchase of the pool of grain cars.

      ii) Reserve Fund

      All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, no cars have been irreparably damaged and so no transactions have been recorded against the Reserve Fund.

      iii) Operating Fund

      The operating costs and revenue for the Corporation are recorded in the Operating Fund.

   b) Purchase of grain cars:

      The purchase of the grain cars is grouped as a 'pool'. Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

   c) Purchase of other fixed assets:

      Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

   d) Operating revenue:

      According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

2. **Status of the Corporation**

   The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979 and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Long-Term Debt**

   Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. In the past this grant has been recorded in the Financial Statements on an accrued basis to the extent necessary to offset expenses incurred. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

4. Fixed Assets

As at July 31, 1984 the final pooled cost has yet to be confirmed by the Canadian Wheat Board. The estimated pooled price for 1,000 cars is as follows:

Purchase of grain cars	$53,044,752
Inspection costs	403,380
Consultancy fees	65,091
Transportation costs	701,200
	$54,214,423

5. Related Parties

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

6. Costs Borne By Other Agencies

The Corporation's Melville office is located in a government building and accordingly, no rent is paid for the use of this space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.

7. Change in Accounting Policy

The policy of recording depreciation has been discontinued. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant. This change in accounting policy has not been applied retroactively.

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Schedule 1 — Schedule of Investments

As at July 31, 1984

Description	Rate	Maturity Date	Amount	
Operating Fund				
Melville Credit Union Term Deposit	9.25%	August 14, 1984	$	14,400
Melville Credit Union Term Deposit	10.25%	August 27, 1984		22,700
			$	37,100
Capital Fund				
Wood Gundy Ltd.	12.60%	August 30, 1984	$	1,290,000
Wood Gundy Ltd.	12.50%	August 30, 1984		3,464,407
			$	4,754,407